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FM AMEMBASSY DHAKA

TO RUEHC/SECSTATE WASHDC 9709

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

RUEHLO/AMEMBASSY LONDON 2192

RUEHGO/AMEMBASSY RANGOON 2955

RUEHGP/AMEMBASSY SINGAPORE 3097

RUEBHGA/DEPT OF INTERIOR WASHDC

RHMCSUU/DEPT OF ENERGY WASHINGTON DC

RUCPDOC/DEPT OF COMMERCE WASHINGTON DC

RUEATRS/DEPT OF TREASURY WASHDC

RHEHAAA/WHITE HOUSE WASHDC

RHEHNSC/NSC WASHDC

RHHJJPI/PACOM IDHS HONOLULU HI

RHHMUNA/CDR USPACOM HONOLULU HI

C O N F I D E N T I A L SECTION 02 OF 02 DHAKA 001072

SIPDIS

DEPT FOR SCA/INSB, EEB/CBA

WHITE HOUSE PLEASE PASS USTR VKADER

TREASURY FOR MARY BRENNAN

COMMERCE FOR SLEWIS-KHANNA AND DFONOVICH

E.O. 12958: DECL: 11/24/2019

TAGS: [EINV](#) [ECON](#) [ETRD](#) [ENRG](#) [PREL](#) [EAGR](#) [BG](#)

SUBJECT: BANGLADESH BOARD OF INVESTMENT RE-ENERGIZED,  
TARGETS HIGHER INVESTMENT LEVELS

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\* Missing Section 001 \*

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implementation stage; most of these projects were small (30-40 megawatt) power plants in export processing zones (EPZs).

GOB WEAKNESSES DISCOURAGE INVESTMENT

¶6. (C) Bangladesh still had many obstacles to overcome in transforming its investment environment, Samad said. The U.S.-trained economist criticized "protectionist elements" in Bangladesh government and society that continued to favor -state control of certain sectors of the economy, despite many examples of public sector economic failures in Bangladesh. Samad described the frustration he and others in the GOB had experienced with the Minister of Industries, who also heads Bangladesh's Communist Party. According to Samad, the Industries Minister was blocking the efforts of senior GOB officials to divest the government of failing state-owned enterprises.

¶7. (C) Samad agreed with the Ambassador's assessment that rent-seeking continues to slow economic growth and investment in Bangladesh. "We are learning the lessons of the past and need to bring down the costs of doing business," the Chairman said.

INVESTMENT LEVELS STILL COMPARATIVELY LOW

¶8. (C) Bangladesh had a long way to go in building investment, including attracting foreign investment, Samad told the Ambassador. The numbers echo Samad's assessment. Annual foreign direct investment (FDI) flows into Bangladesh ranged between USD 600 and 800 million between 2005 and 2007, according to UNCTAD's World Investment Report 2009. FDI crossed the USD 1 billion mark in 2008, though most of the

increase that year was the result of the USD 300 million sale of shares in a cellphone company and did not represent new investment. According to UNCTAD, Bangladesh's FDI inflows for the last three years are lower than Vietnam or Pakistan, but slightly higher than Sri Lanka. Bangladesh's central bank registered USD 573 million in new FDI between January and July 2009.

COMMENT

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¶ 9. (C) Samad was Prime Minister Sheikh Hasina's top civil servant during her 1996-2001 government. He is a sharp economist, who knows his way around Bangladesh politics and the GOB bureaucracy. He is close to the Prime Minister's Energy Advisor Tawfiq-Elahi-Chowdhury and her Economic Advisor Mashiur Rahman from their days studying economics at universities in Boston and their GOB service during Hasina's first government; in the corridors of the GOB the three are known as the "Boston mafia." Samad, Chowdhury and Rahman are the Prime Minister's top economic advisors and fortunately do not fall into the "protectionist" camp Samad described. Samad correctly pinpointed the weaknesses in Bangladesh's investment environment. Mission Dhaka will look for ways to support Samad and the BOI in creating a favorable environment for business, particularly U.S. companies. In the near term, we will coordinate with BOI and Washington to help ensure a strong turnout for the December investment roadshow.

MORIARTY